



*International Contract Manufacturer to Capital  
Equipment and Consumer Industries*

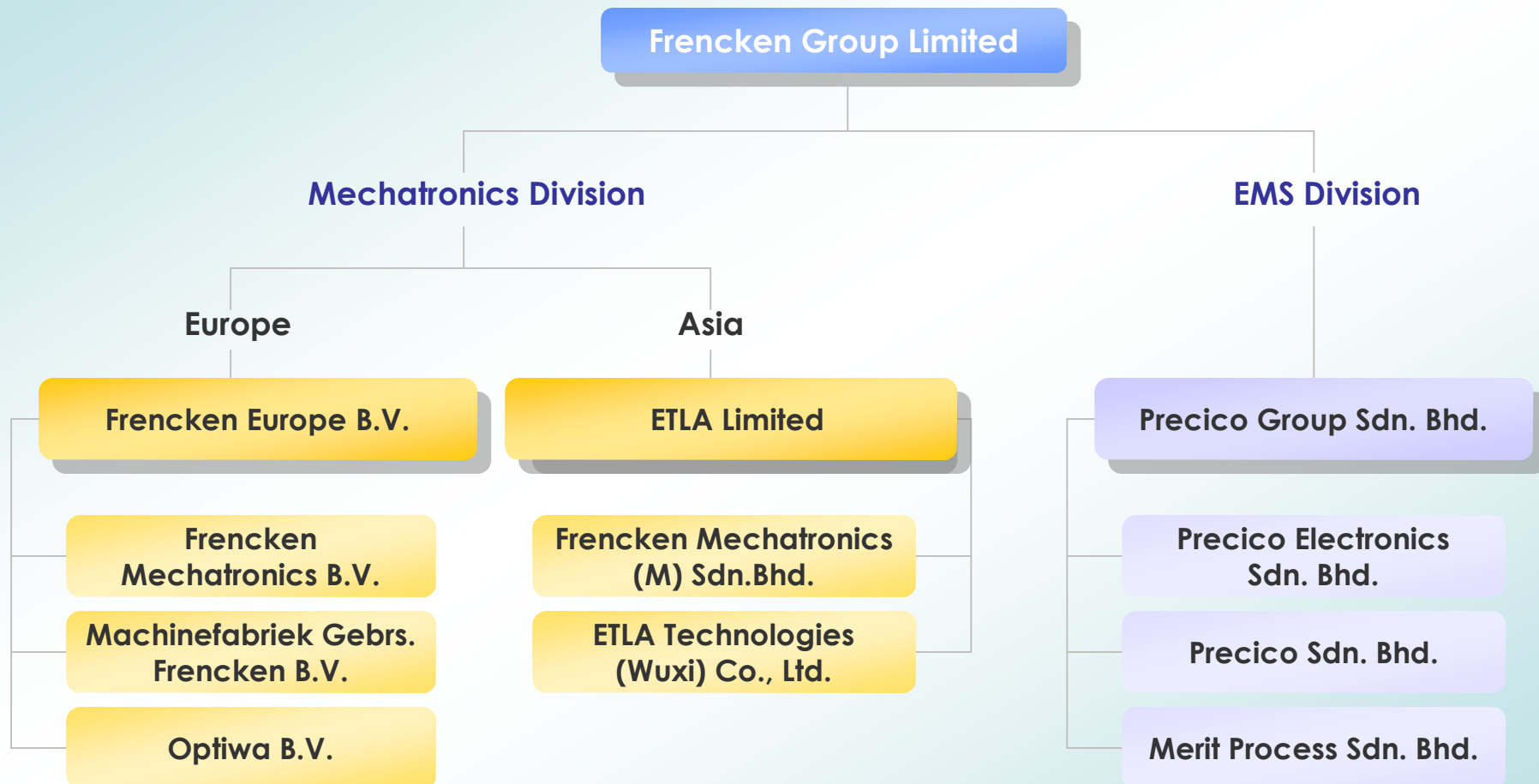
# Frencken Group Limited

**2Q FY2009  
Results Presentation**

**14 August 2009**

- ❖ **New Group Operating Structure**
- ❖ **Financial Review**
  - ❖ **2Q09**
  - ❖ **1H09**
- ❖ **Business Review and Outlook**
  - ❖ **Mechatronics Division**
  - ❖ **EMS Division**
- ❖ **Questions and Answers**

### Group operating structure following acquisition of ETLA in May 2009

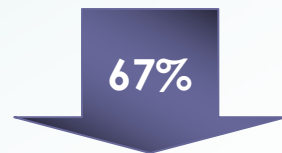


### Revenue



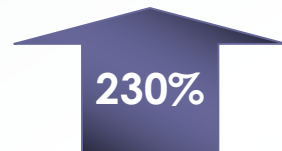
- First time consolidation of ETLA Group (1 month contribution in June 2009 only)
- Slow down across all segments as economy remains subdued

### Gross Profit



- In the short term, limited options to align costs to lower capacity utilisation
- Shift in sales mix

### Net profit



- Attributable to negative goodwill from acquisition of ETLA Group of **S\$13.4mil**
- Excluding negative goodwill, net loss was S\$72,000

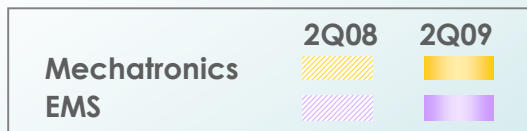
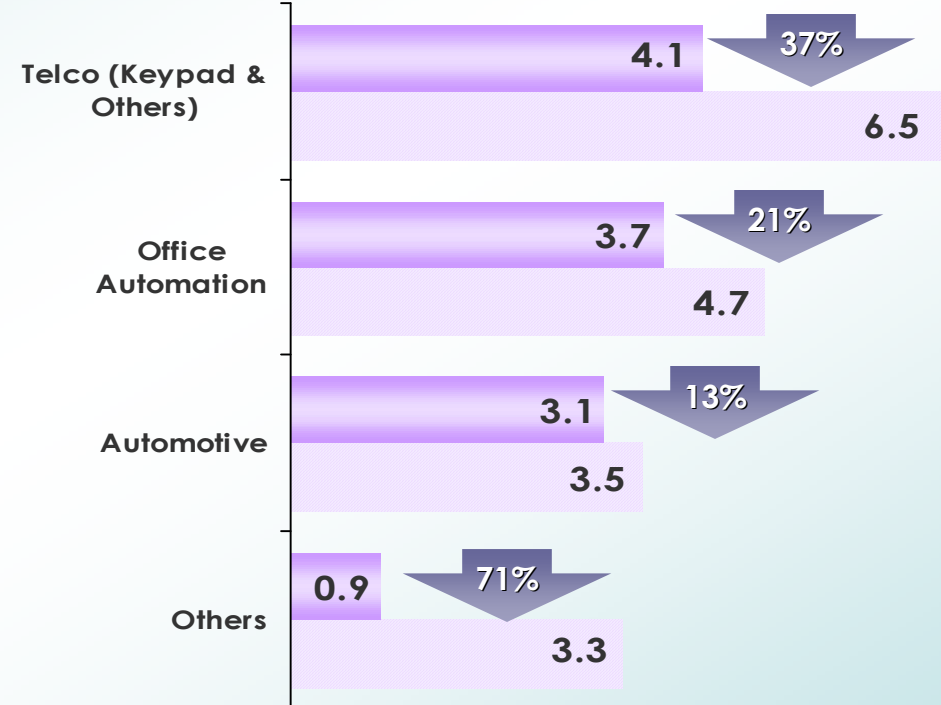
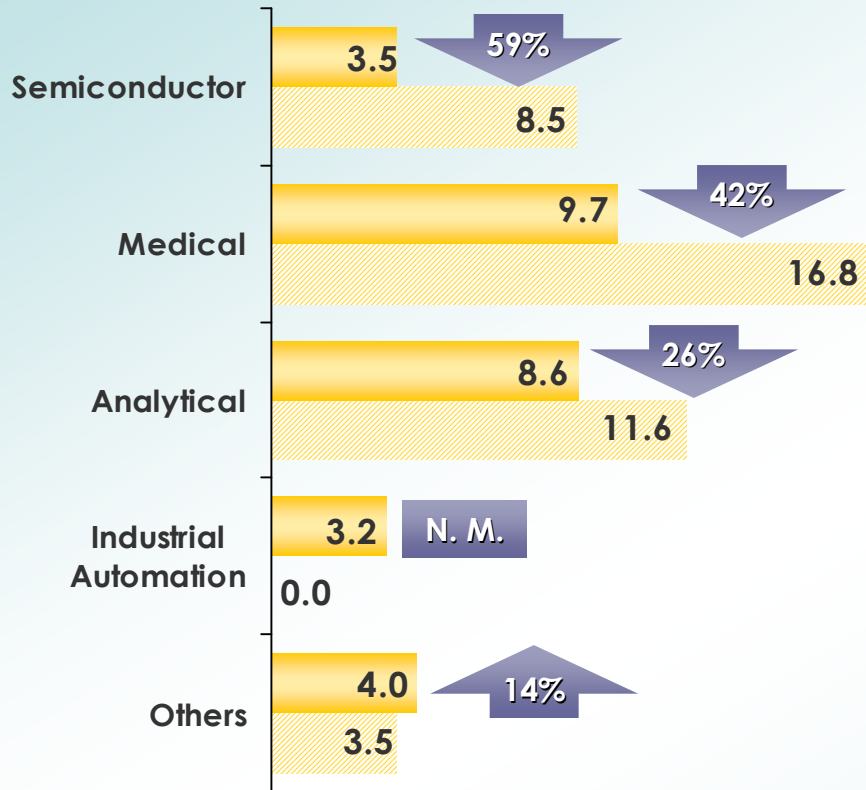
### Net Cash Generated from Operations



- Negative goodwill gain has no impact on cash flow
- Cash flow remains healthy

### MECHATRONICS (\$\$ m)

### EMS (\$\$ m)



\* N.M. – Not Meaningful

# Frencken Group Limited

## Acquisition of ETLA – Negative Goodwill



2Q FY2009 Results Briefing

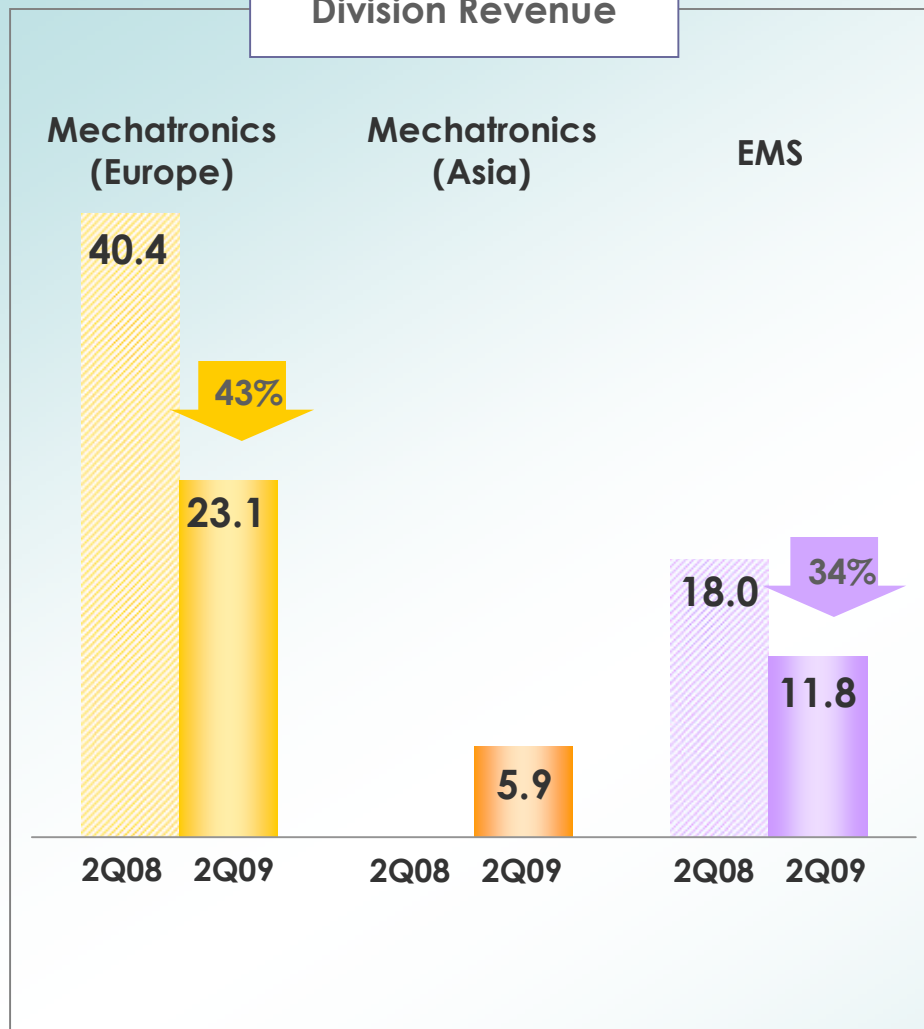
[Back](#)

	(S\$ m)
<b>Acquisition Consideration</b>	
Issued 71,471,067 shares @ S\$0.195	<b>13.9</b>
Attributable Expenses	<b>3.0</b>
	<b>16.9</b>
<b>Provisional Fair Value of Net Assets Acquired</b>	<b>30.3</b>
<b>Negative Goodwill</b>	<b>13.4</b>

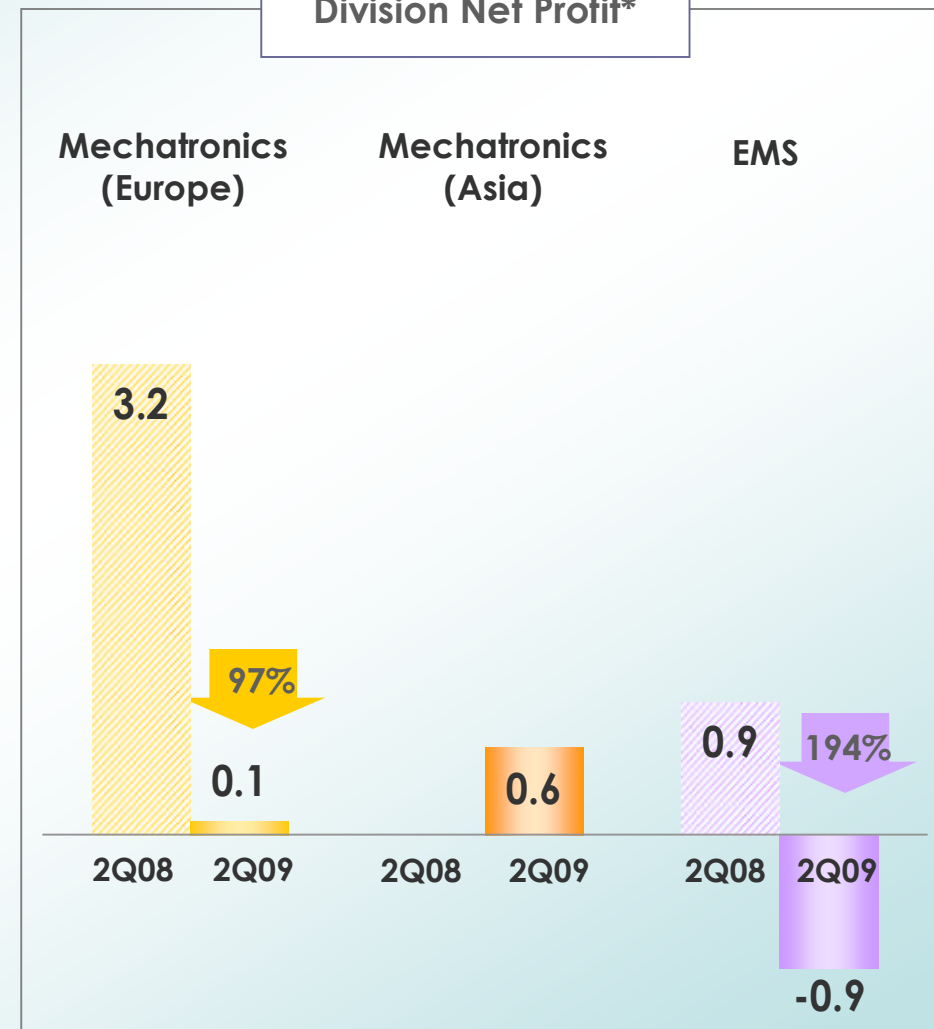
(S\$ m)	2Q09	2Q08	Chg y-o-y
Revenue	40.8	58.4	(30%)
Gross Profit (GP)	2.6	8.1	(67%)
Profit Before Tax	13.1	5.1	157%
Net Profit	13.4	4.0	230%
<b><u>Analysis of Net Profit</u></b>			
Net Profit before negative goodwill	(0.07)	4.04	(102%)
Negative goodwill	13.43	-	N.M.
Net Profit after negative goodwill	13.36	4.04	230%
<i>NP Margin before negative goodwill</i>	<i>(0.2%)</i>	<i>6.9%</i>	<i>(103%)</i>
Effective Tax Rate	N.M.	20.9%	N.M.

\* N.M. – Not Meaningful

### Division Revenue



### Division Net Profit\*



\*Note: Excludes Investment Division & Negative Goodwill



(S\$ m)	1H09	1H08	Chg y-o-y
Revenue	79.6	120.1	(34%)
Gross Profit (GP)	5.4	17.7	(70%)
Profit Before Tax	13.5	11.1	22%
Net Profit	13.5	8.4	60%
<b><u>Analysis of Net Profit</u></b>			
Net Profit before negative goodwill	0.05	8.44	(99%)
Negative goodwill	13.43	-	N.M.
<b>Net Profit after negative goodwill</b>	<b>13.48</b>	<b>8.44</b>	<b>60%</b>
<i>NP Margin before negative goodwill</i>	<i>0.1%</i>	<i>7.0%</i>	<i>(99%)</i>
Effective Tax Rate	18.0%	23.9%	(25%)

\* N.M. – Not Meaningful

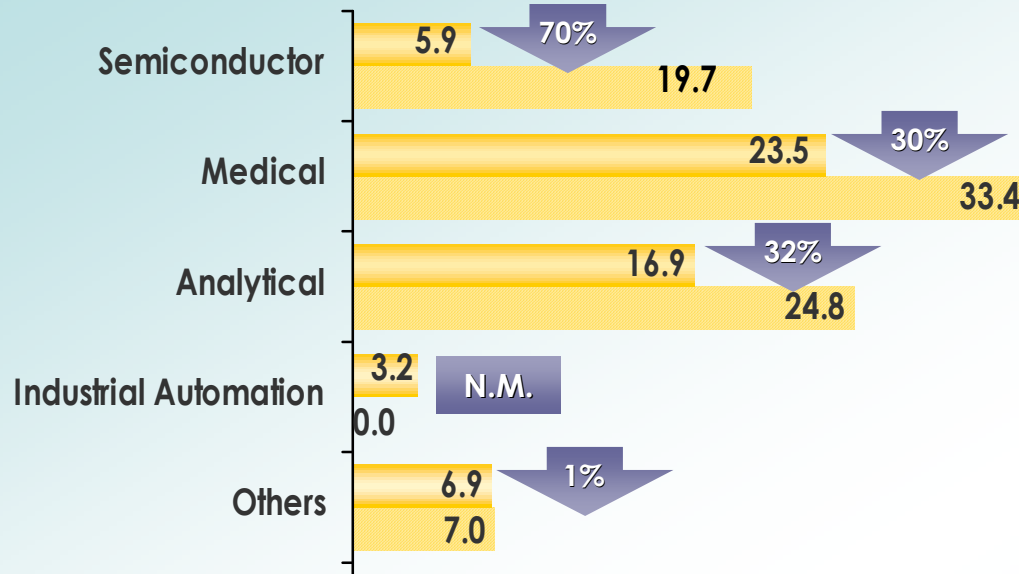
# Frencken Group Limited

## 1H09 – Group Revenue Analysis

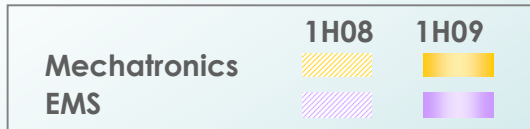
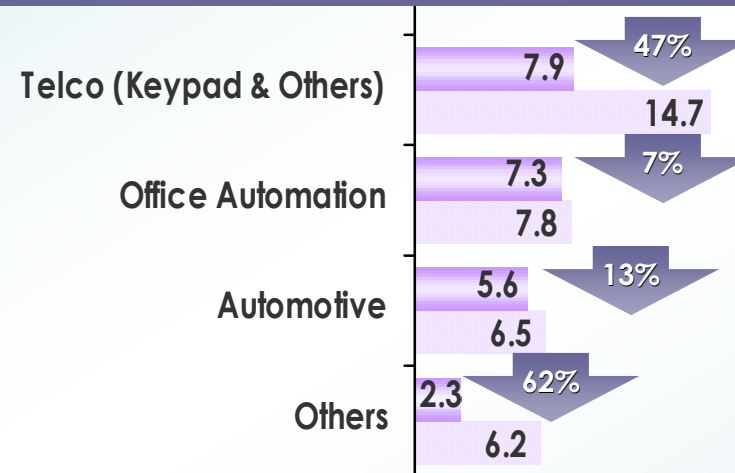


2Q FY2009 Results Briefing

### MECHATRONICS (\$\$ m)

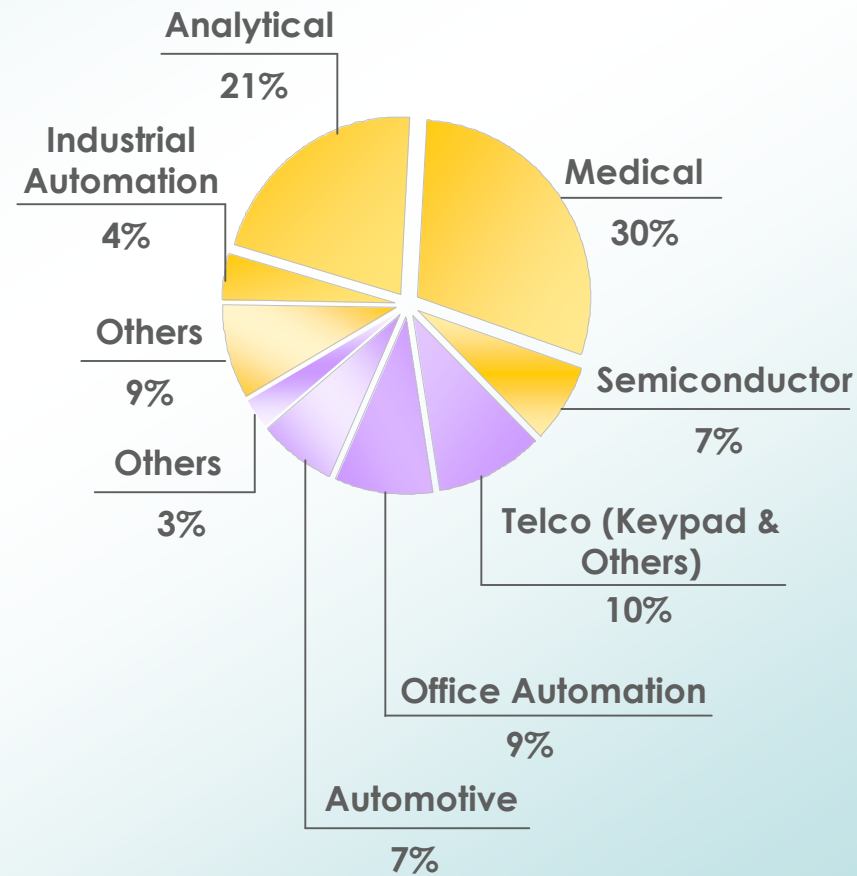


### EMS (\$\$ m)



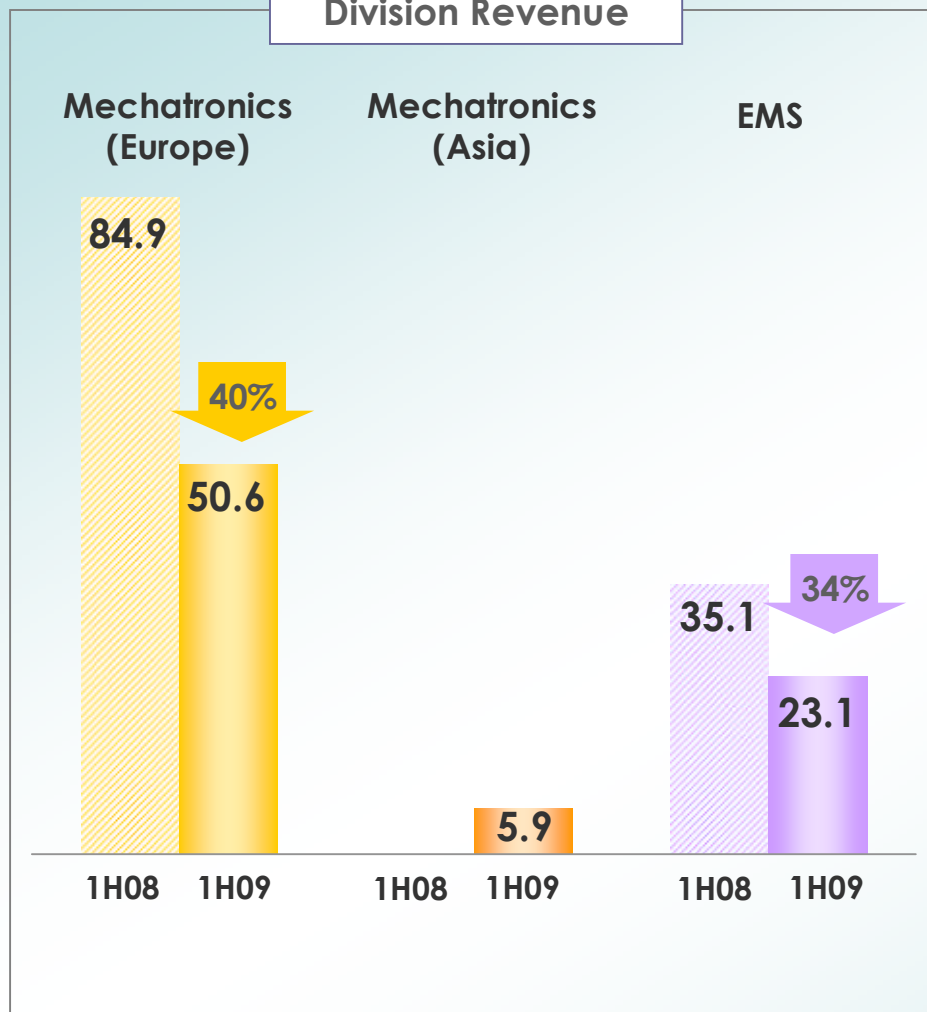
\* N.M. – Not Meaningful

### Breakdown by Business Segment

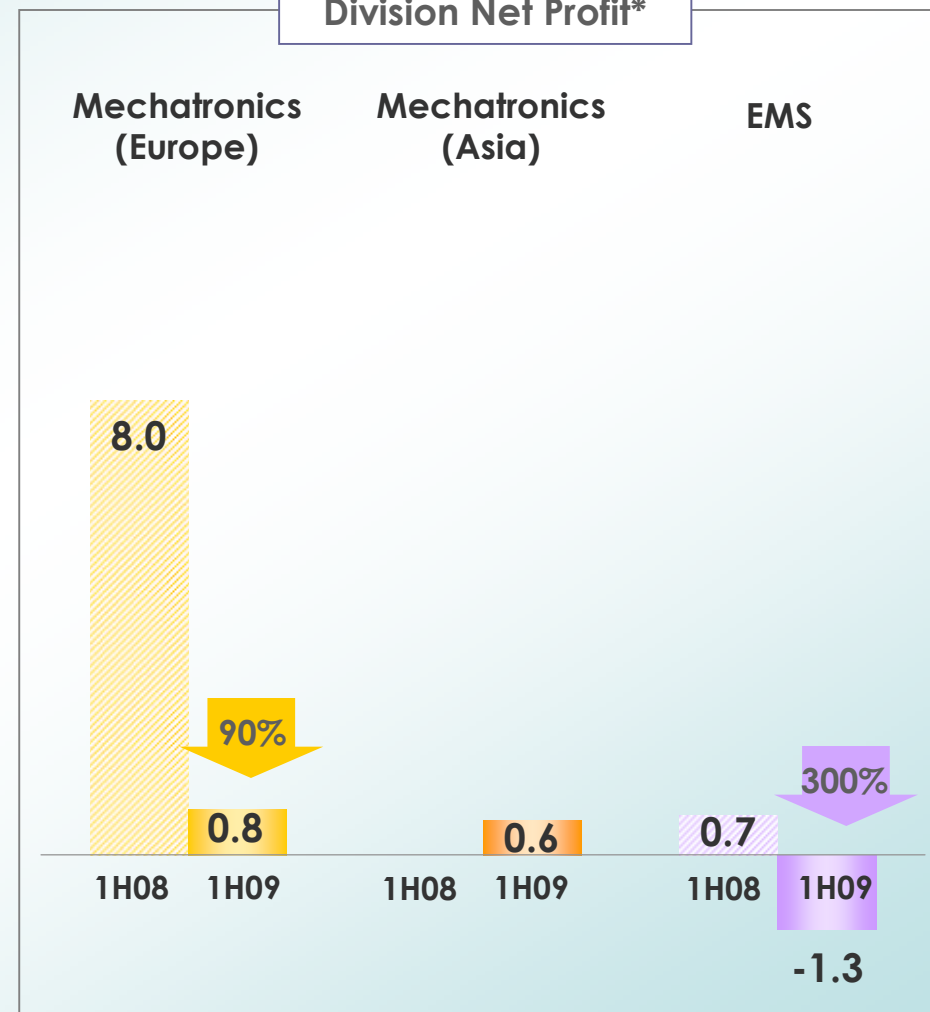


**Breakdown by Division:**  
 Mechatronics – 71%  
 EMS – 29%

### Division Revenue

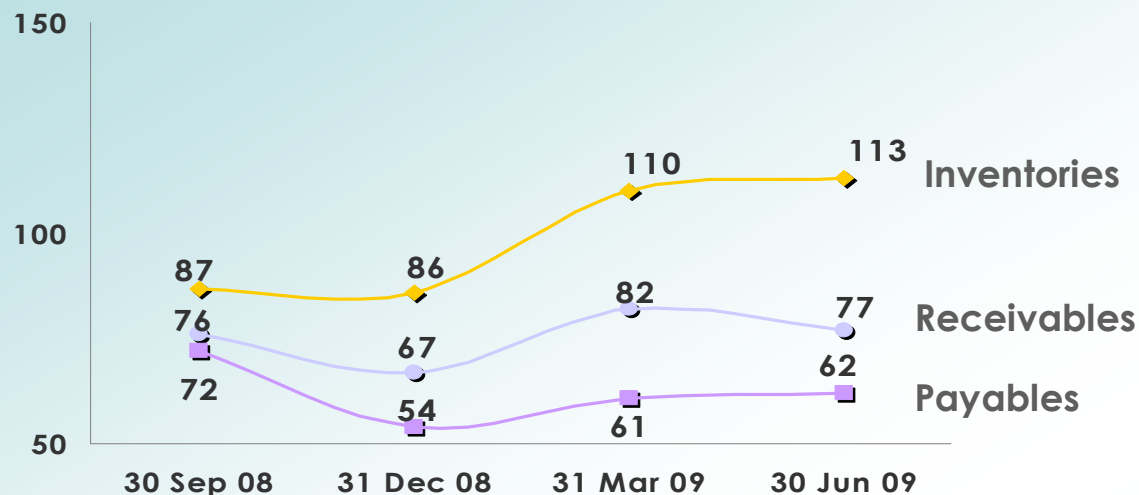


### Division Net Profit\*

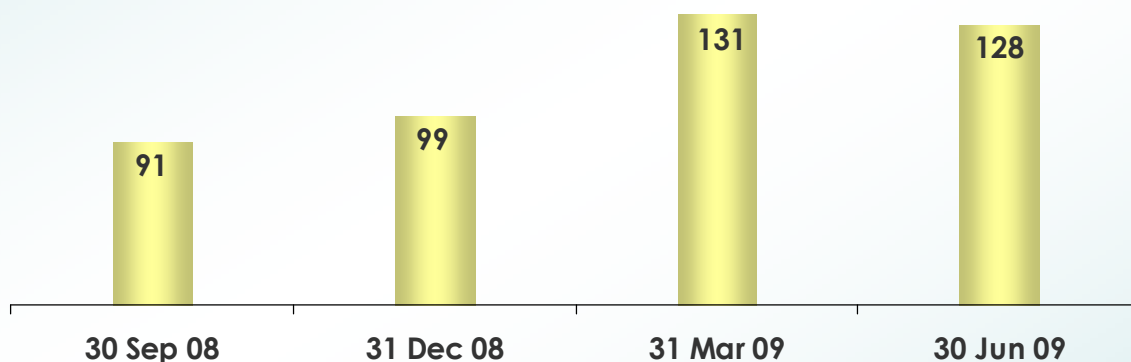


\*Note: Excludes Investment Division & Negative Goodwill

### Turnover Days \*



### Cash Conversion Cycle (Days) \*



Cash Conversion Cycle (Days) = Days sales outstanding + Days inventory outstanding – Days payables outstanding

(\$ m)	30 Jun 09	31 Dec 08
Inventories *	43.2	46.0
Trade Receivables *	31.5	41.6
Trade Payables *	14.3	19.9

\* Excluding ETLA Group

(\$ m)	Q209	Q208
Net cash flow from operations	4.7	4.5
Capital expenditure	1.8	0.8
Free cash flow	2.9	3.7

Balance Sheet (\$\$ m)	30 Jun 09	31 Dec 08
Shareholders' equity	201.8	179.7
Total borrowings	31.1	0.2
Cash and cash equivalents	45.6	39.7
Short-term funds with a financial institution	5.3	6.1
Total cash and cash equivalents	50.9	45.8

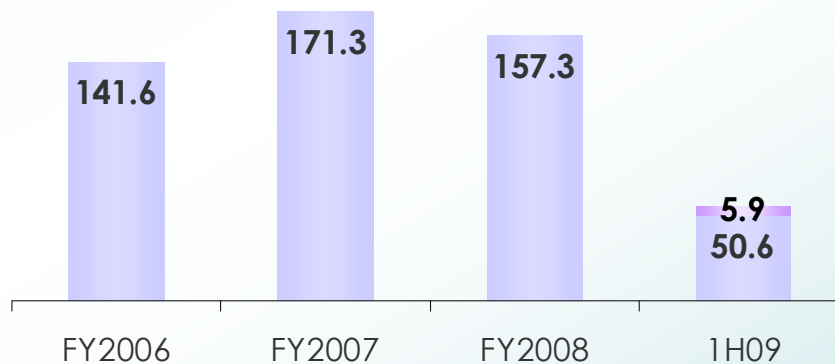
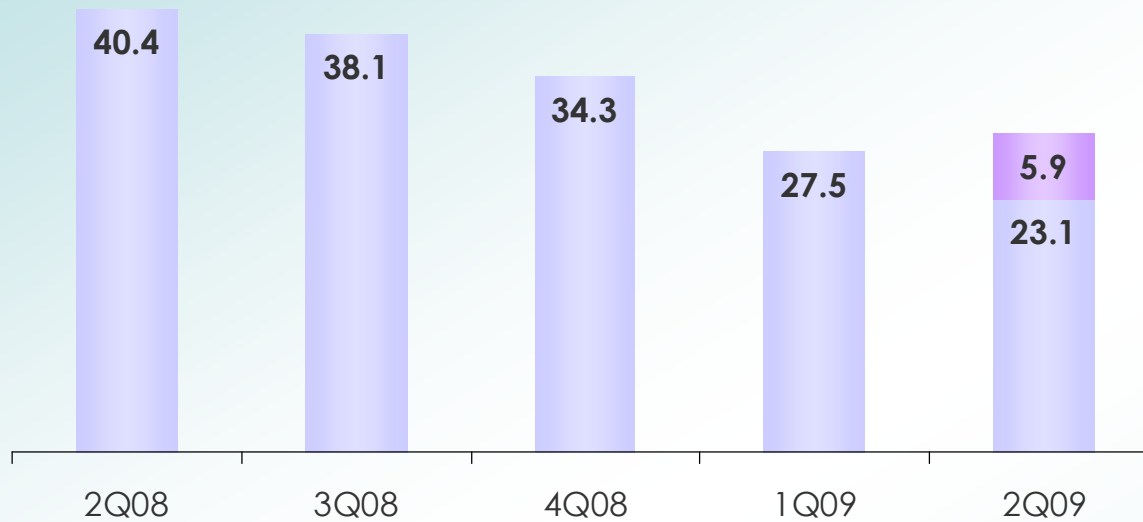
Financial Indicators	YTD Jun 09	YTD Jun 08
Gross gearing (%)	15.4%	0.4%
Net asset value per share (\$\$ cents)	53.65	58.49
EPS (\$\$ cents)		
- Before negative goodwill	0.02	2.77
- After negative goodwill	4.19	2.77

# **Mechatronics Division**

## **Business Review & Outlook**

Currency: SGD million

■ Mechatronics Europe  
■ Mechatronics Asia



### 2Q09 Review

- Sales declined 28% y-o-y but rose 5% q-o-q
- Global demand for capital equipment remained weak

1 month revenue contribution from Asia operations

Sales from Europe operations was lower by 43% y-o-y and 16% q-o-q

# Mechatronics Division

## Net Profit and Net Profit Margin

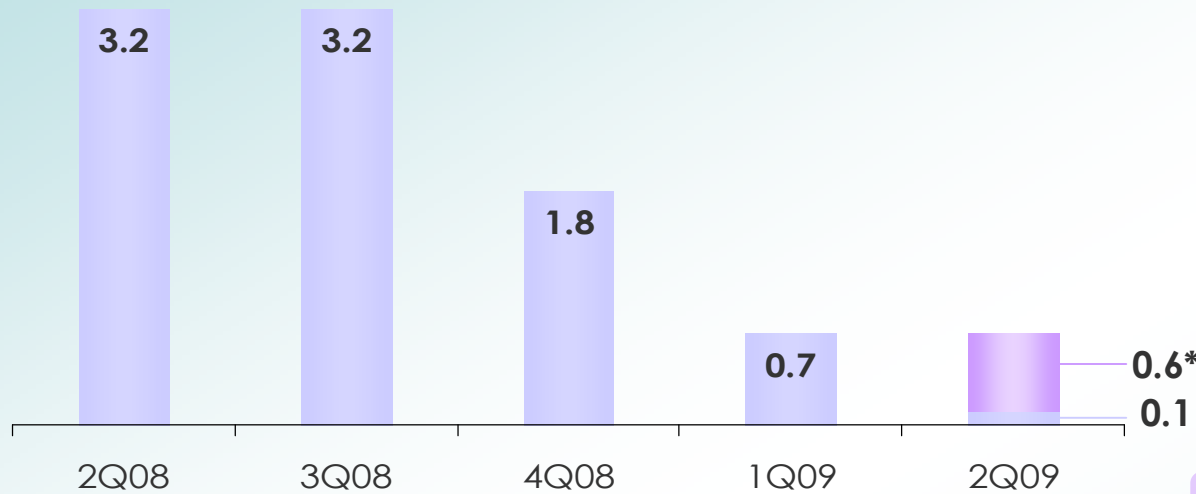


2Q FY2009 Results Briefing

Division Net Profit: -79%

Currency: SGD million

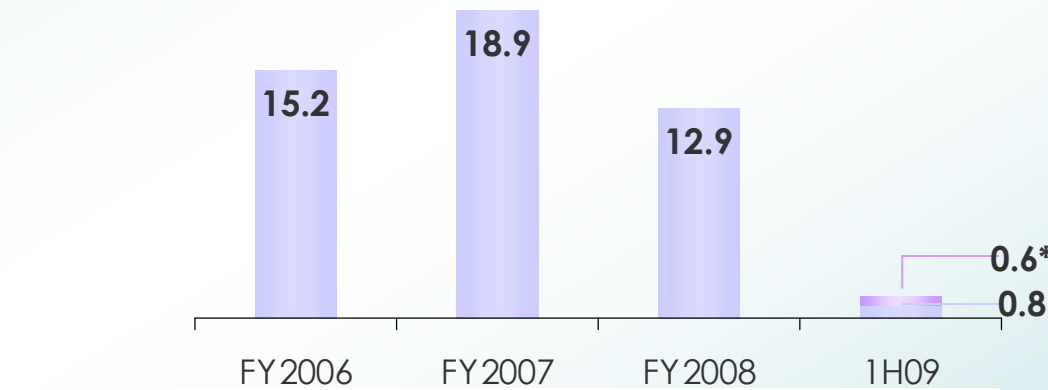
- Mechatronics Europe
- Mechatronics Asia



NP margin	7.9%	8.3%	5.3%	2.7%	2.3%
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Asia net profit margin : 9.7%

Europe net profit margin : 0.4%



NP margin	10.7%	11.0%	8.2%	2.5%
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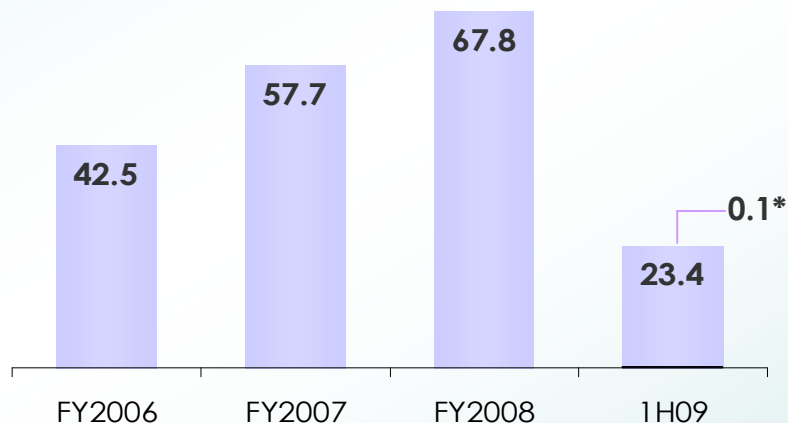
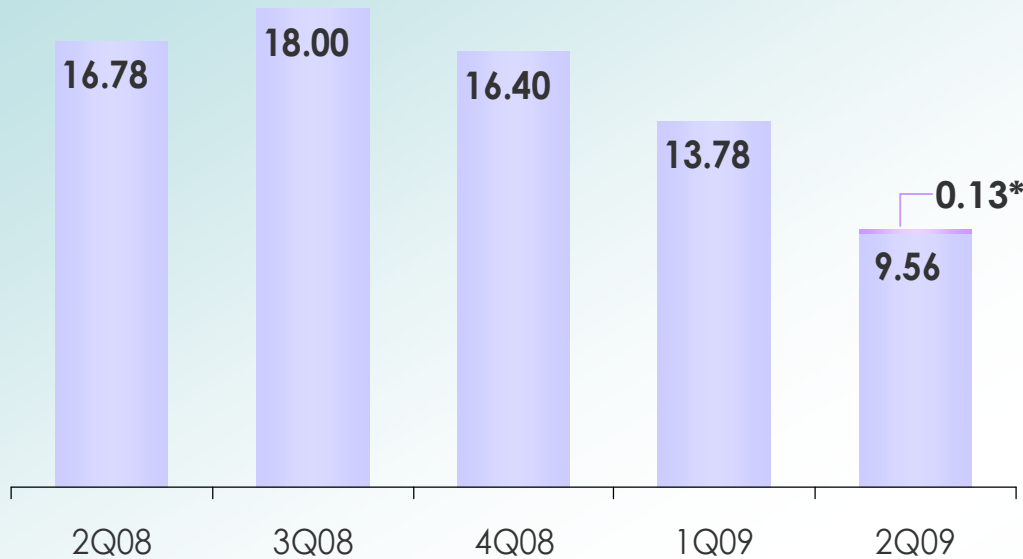
Asia net profit margin : 9.7%

Europe net profit margin : 1.6%

\*For the month of June 2009



Currency: SGD million



### 2Q09 Review

- Sales declined 42% y-o-y and 30% q-o-q due to continuous depressed market conditions

### Europe

- Sales was lower by 43% y-o-y and 31% q-o-q
- Lower sales to an existing customer as well as the continued delay in the market introduction of a new product for an existing customer

### Asia

- Starting from a low base with emerging business potential for the Singapore and China operations
- Engaging in the imaging and in-vitro diagnostic product segment

\*For the month of June 2009

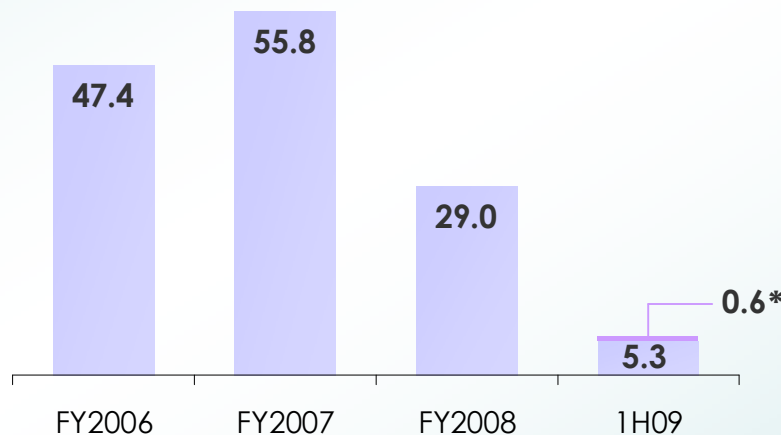
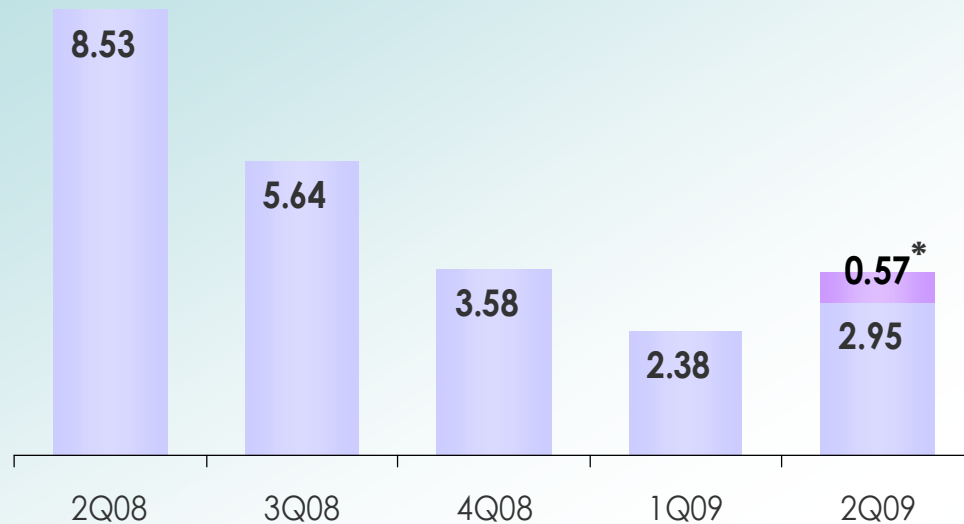
# Mechatronics Division

## Sales Analysis – Semiconductor Segment



2Q FY2009 Results Briefing

Currency: SGD million



### 2Q09 Review

- Sales down 59% y-o-y but up 48% q-o-q
- Growth impacted by prolonged cyclical downturn of semicon equipment industry
- Includes one month contribution from Asia operations

### Europe

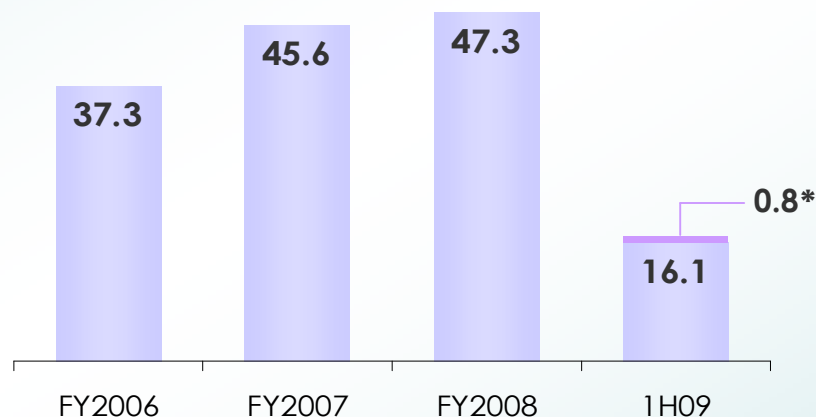
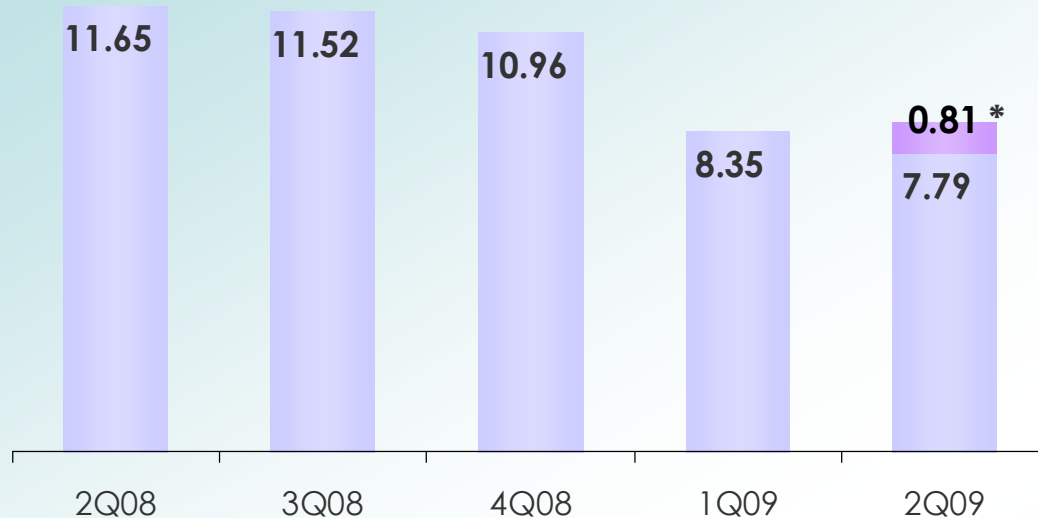
- Sales down 65% y-o-y but up 24% q-o-q
- No significant increase in 2Q09 due to continued depressed market conditions

### Asia

- Revenue derived mainly from back-end semiconductor equipment which saw some increase in orders

\*For the month of June 2009

Currency: SGD million



### 2Q09 Review:

- Sales down 26% y-o-y but up 3% q-o-q
- Sales growth impacted by adverse market conditions and change in product mix
- Slight growth in sales due to inclusion of one month contribution of Asia operations

### Europe

- Sales down 33% y-o-y and 7% q-o-q
- Slight decline from 1Q09 due to the impact of adverse market conditions and change in product mix of an existing customer

### Asia

- Growing sales contribution of this product segment from the Singapore operations
- In line with product segment diversification efforts

\*For the month of June 2009

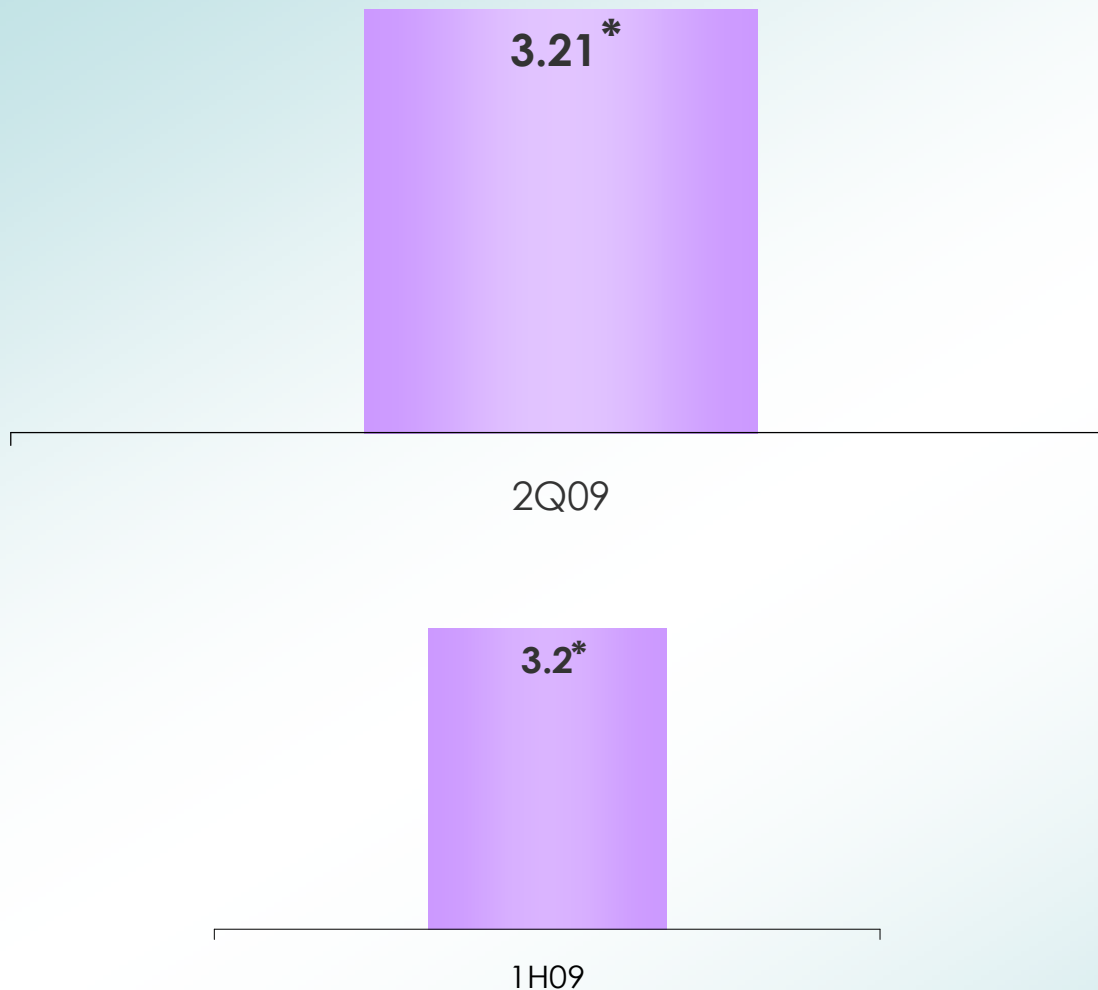
# Mechatronics Division (Asia)

## Sales Analysis – Industrial Automation Segment



2Q FY2009 Results Briefing

Currency: SGD million



### 2Q09 Review

#### Asia

- New business segment
- Sales contribution mainly from data storage and pharmaceutical packaging equipment
- While sales for June 09 was high, this segment is subject to high volatility from month to month.

\*For the month of June 2009

Mechatronics Europe	Medical	<ul style="list-style-type: none"> <li>Redesign project for enhancement of an existing product</li> </ul>	<ul style="list-style-type: none"> <li>2 new development projects – commercial production anticipated in 2010</li> </ul>
	Semiconductor	<ul style="list-style-type: none"> <li>Ongoing engagement in next generation (EUV) Lithography tools</li> </ul>	<ul style="list-style-type: none"> <li>Ongoing design &amp; development project for lithography equipment</li> <li>New project for next generation dual lane automated PCB assembly</li> </ul>
	Analytical	<ul style="list-style-type: none"> <li>Ongoing development project - commercial production expected by 4Q09</li> </ul>	<ul style="list-style-type: none"> <li>New development project for market introduction targeted for mid 2010</li> </ul>
Mechatronics Asia	Medical	<ul style="list-style-type: none"> <li>Increasing production in Wuxi, China of imaging modules in 2H09 for an existing customer</li> <li>Increasing volume production of parts of existing in-vitro diagnostic product to be assembled in the USA</li> </ul>	<ul style="list-style-type: none"> <li>Engaging in prototype parts of 2 new diagnostic products for customer's design centres in Europe and USA</li> </ul>
	Semiconductor	<ul style="list-style-type: none"> <li>Commenced qualification of a range of modules for an existing customer</li> </ul>	
	Analytical	<ul style="list-style-type: none"> <li>Ongoing qualification of new parts and modules for customer's new product transfer to Singapore</li> </ul>	
	Ind Automation	<ul style="list-style-type: none"> <li>Development projects for new automation stations for an existing customer</li> </ul>	<ul style="list-style-type: none"> <li>Advanced evaluation stages of new project for sheetmetal modules for a new customer</li> </ul>

### Market Segments

Medical  
Analytical  
Semiconductor  
Industrial Automation  
Others – such as energy and environment

### Strategic Initiatives

- Accelerate and enhance design and development capability and capacity in Europe to support the enlarged manufacturing facilities in Asia
- Strengthen New Product Introduction (NPI) team in Asia for smooth transfer of projects from customers and also within the Group
- Accelerate sales expansion opportunities via strategic partnerships with existing and new customers by leveraging the Group's value chain proposition and enlarged geographical footprint
- Strengthen overall manufacturing capability in Asia to capitalise on new opportunities in key and emerging markets
- Build up global sourcing, procurement and total supply chain – seek out best value components and strategic suppliers worldwide to enhance Group's overall competitiveness

# EMS Division Business Review & Outlook

# EMS Division

## Sales and Net Profit



2Q FY2009 Results Briefing

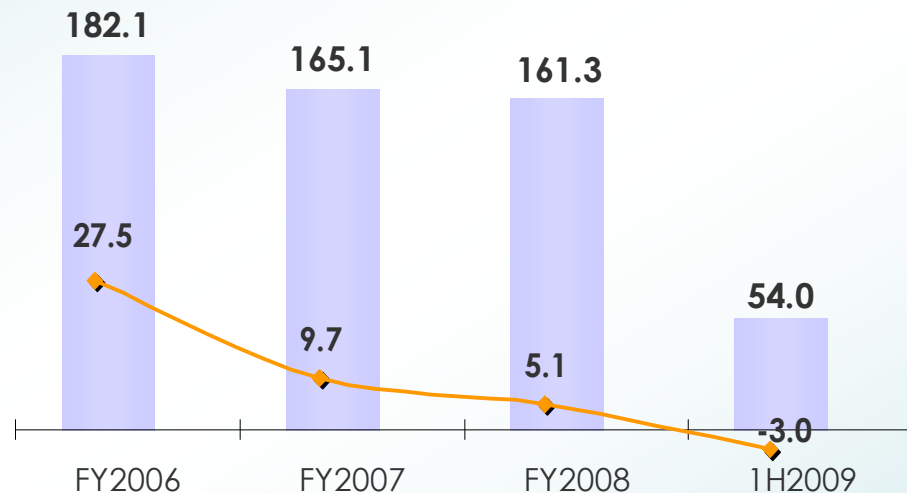
Revenue: -34%  
Net Profit: -190%



Currency: RM million

- █ Revenue
- Net profit

Net Profit Margin	
2Q08	5.2%
3Q08	8.1%
4Q08	-0.9%
1Q09	-4.0%
<b>2Q09</b>	<b>-7.1%</b>



Net Profit Margin	
FY2006	15.1%
FY2007	5.9%
FY2008	3.2%
<b>1H2009</b>	<b>-5.6%</b>

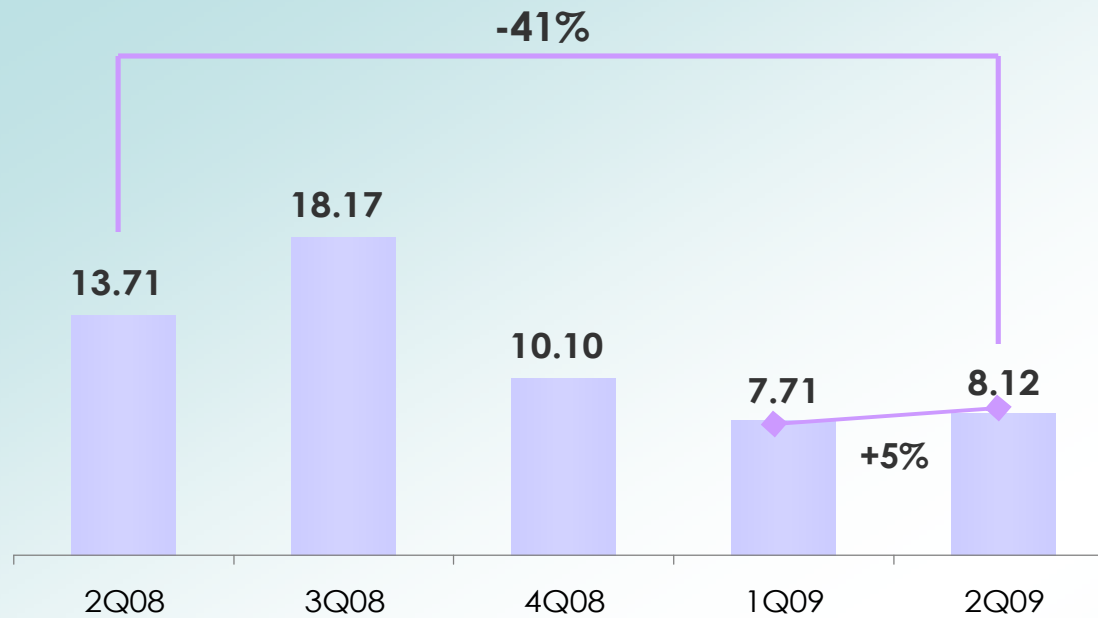


# EMS Division

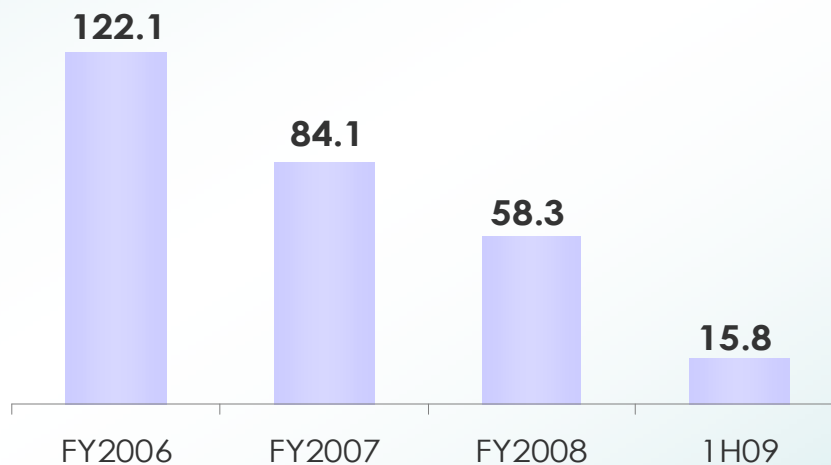
## Sales Analysis – Keypad Segment



2Q FY2009 Results Briefing

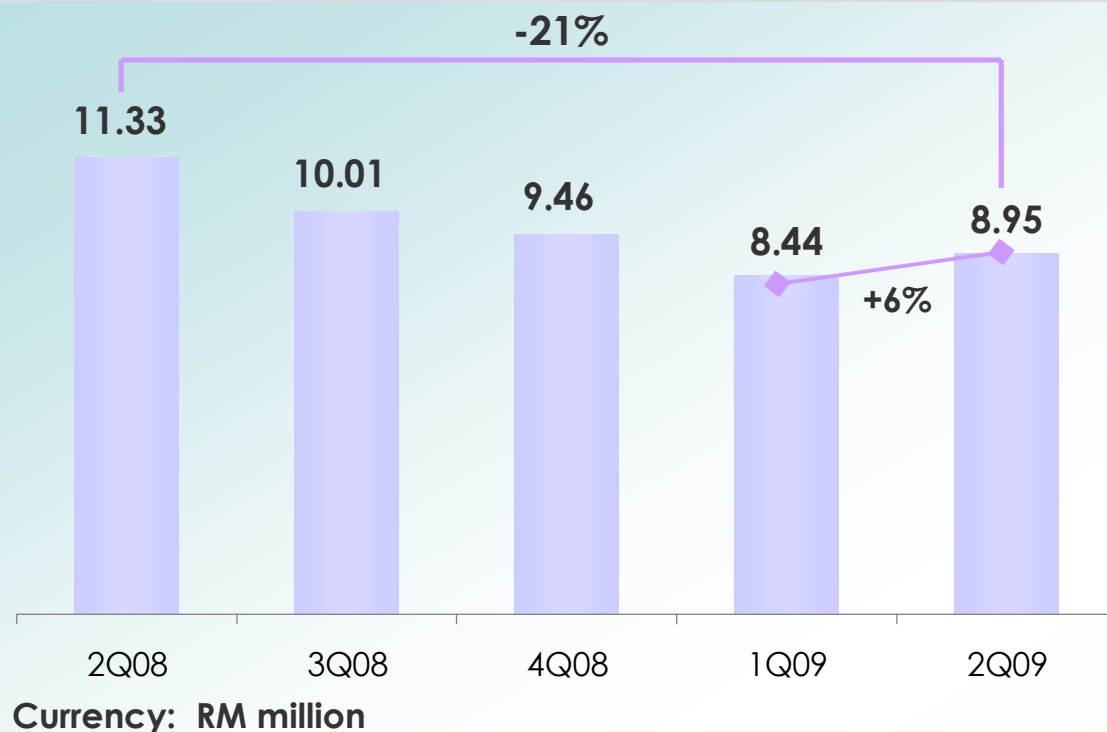


Currency: RM million



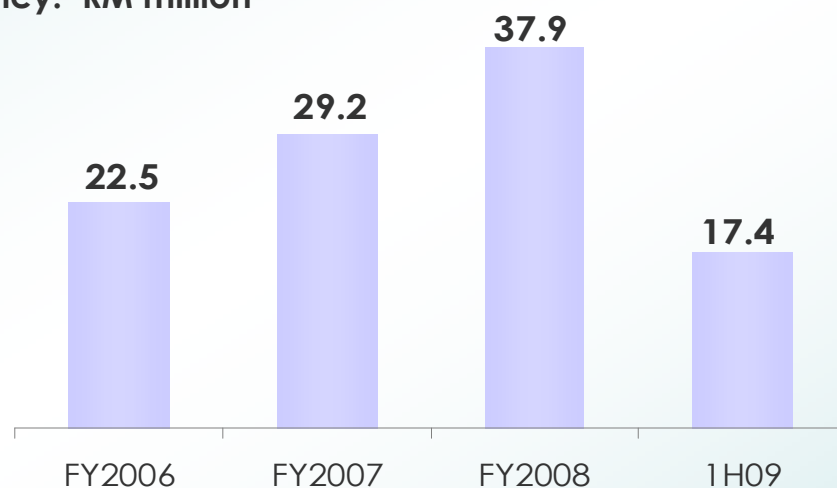
### 2Q09 Review:

- No significant recovery in 2009
- Order visibility remains very short while volatility remains high



### 2Q09 Review:

- Growth hampered by depressed market conditions
- Delay in the commercial production of a new industrialisation project

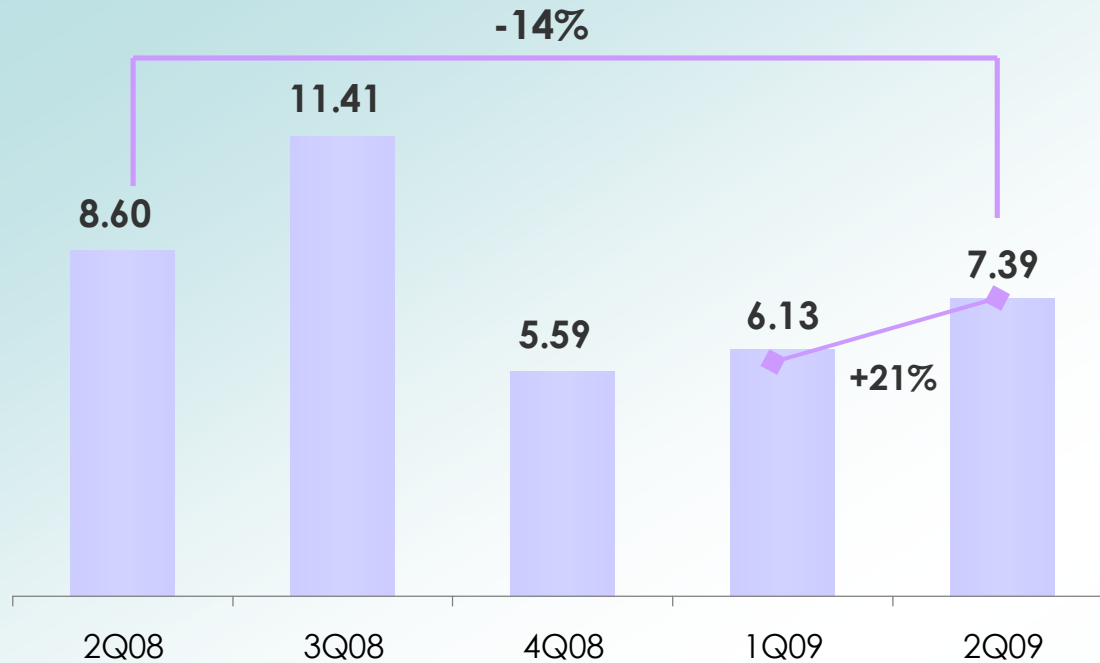


# EMS Division

## Sales Analysis – Automotive Segment

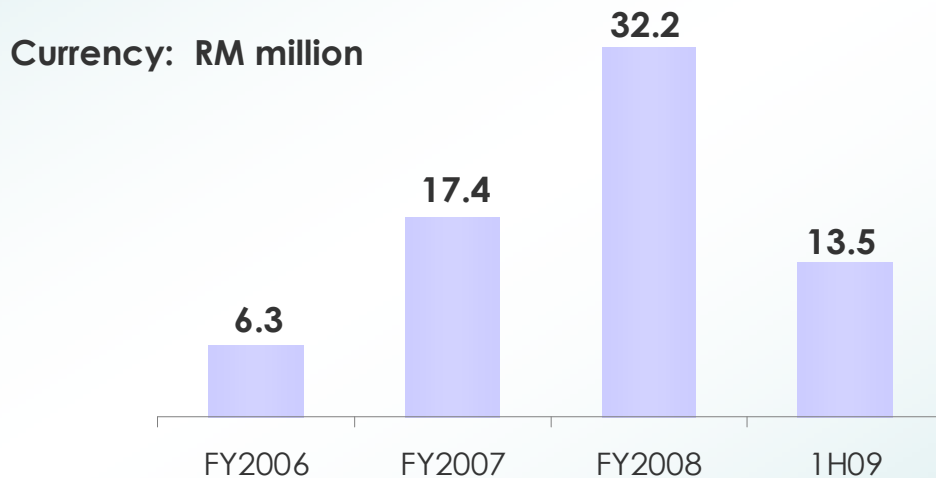


2Q FY2009 Results Briefing



### 2Q09 Review:

- Some increase in orders seen for products destined for the USA market
- Improving order inflow but still significantly below original projections



### Keypad

- Production capacity realigned and capped at approximately 50% of FY2008 level
- Continue to experience delays in new model/project launches

### Office Automation

- Commercial production of one major ongoing industrialisation projects to commence in late 3Q09 – albeit at a lower quantity
- The other project remains on track for commercial production in 4Q09
- Commencement of a new industrialisation project in 3Q09 with target for commercial production in mid 2011

### Automotive

- Commercial production of two new module assembly projects commenced in early 3Q09 – but turnover will not be significant until early 2010
- New industrialisation project in the pipeline with tooling launch expected at the end of FY2009 and target commercial production in 2Q 2011

This presentation contains certain statements that are not statements of historical fact, i.e. forward-looking statements. Investors can identify some of these statements by forward-looking items such as 'expect', 'believe', 'plan', 'intend', 'estimate', 'anticipate', 'may', 'will', 'would', and 'could' or similar words. However, you should note that these words are not the exclusive means of identifying forward-looking statements. These forward-looking statements are based on current expectations, projections and assumptions about future events. Although Frencken Group Limited believes that these expectations, projections, and assumptions are reasonable, these forward-looking statements are subject to the risks (whether known or unknown), uncertainties and assumptions about Frencken Group Limited and its business operations.

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- changes in the political, social and economic conditions and regulatory environment in the jurisdictions where we conduct business or expect to conduct business;
- the risk that we may be unable to realise our anticipated growth strategies and expected internal growth;
- changes in and new developments in technologies and trends;
- changes in currency exchange rates;
- changes in customer preferences and needs;
- changes in competitive conditions in our customers' industries and our ability to compete under these conditions;
- changes in pricing for our products; and
- changes in our future capital needs and the availability of financing and capital to fund these needs.

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# Thank You

**Frencken Group Limited**

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